



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

24 CFR Parts 3282 and 3284

[Docket No. FR-5848-F-02]

RIN 2502-AJ37

Manufactured Housing Program: Minimum Payments to the States

AGENCY: Office of the Assistant Secretary for Housing—Federal Housing Commissioner, HUD.

ACTION: Final rule.

SUMMARY: This rule revises the minimum payments that HUD distributes to states that participate in the Manufactured Housing Program as State Administrative Agencies (SAAs) in order to provide for a more equitable guarantee of minimum funding and to reduce administrative burden. This rule changes the minimum payments to SAAs so that payments are based on SAAs' participation in the production or siting of new manufactured homes, regardless of whether the state was fully or conditionally approved to participate in the program as of December 27, 2000. This rule also changes the formula for minimum payments to SAAs by increasing the amount paid to SAAs for each transportable section of new manufactured housing that is produced in that state, and by ensuring that each state participating in the program will receive an annual payment no less than the amount of cumulative payments resulting from production and shipments due to that State for the Fiscal Year 2014 period.

DATES: Effective date: **[INSERT 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].**

FOR FURTHER INFORMATION CONTACT: Teresa B. Payne, Administrator, Office of Manufactured Housing Programs, Department of Housing and Urban Development, 451 Seventh

Street, SW, Room 9164, Washington, DC 20410; telephone number 202–402–5365. (This is not a toll-free number.) Individuals with speech or hearing impairments may access this number through TTY by calling the toll free Federal Information Relay Service at 1–800–877–8389.

SUPPLEMENTARY INFORMATION:

I. Background

In accordance with section 620(e)(3) of the National Manufactured Housing Construction and Safety Standards Act of 1974, (42 U.S.C. 5401–5426) (the Act), as amended, HUD regulations provide for minimum payments to the states participating in the Manufactured Housing Program as an SAA. Since August 13, 2002, HUD regulations at 24 CFR 3284.10 provide that each SAA would receive an amount not less than the amount paid to that SAA for the 12 months ending on December 26, 2000, if that state had a fully approved state plan on December 27, 2000. As HUD explained in a proposed rule published on March 1, 2004 (69 FR 9740), the fact that § 3284.10 only applied to states that had a fully approved state plan as of December 27, 2000, resulted in inequitable payments between states and resulted in some states receiving more funding than other states for each unit of manufactured housing produced or sited in the state.

In accordance with section 620 of the Act, HUD’s regulations also provide for HUD to establish and collect from manufactured home manufacturers a reasonable fee to, among other things, provide funding to States for the administration and implementation of approved State plans. At § 3282.307(b), HUD regulations provide that HUD will distribute a portion of the monitoring inspection fees collected from all manufactured home manufacturers to SAAs based on a formula. Prior to issuance of this rule, that formula provided each state \$9.00 for each new manufactured housing unit that, after leaving the manufacturing plants, is first located on the

premises of a retailer, distributor, or purchaser in that state, plus \$2.50 for each transportable section of each new manufactured housing unit produced in a manufacturing plant in that State.

Since HUD's March 1, 2004, proposed rule, which was not finalized, HUD has sought a solution to the issue of inequitable payments between states and worked with its partner SAAs and the Manufactured Housing Consensus Committee (MHCC) to develop proposed solutions. On May 2, 2014 (79 FR 25035), HUD published a proposed rule to revise the amount of the fee collected from manufacturers. In response to HUD's proposed rule, several commenters stated that the fees paid to SAAs are not reflective of current production and shipment levels. HUD responded to these comments by stating that it would review revisions to the current fee distribution formula to ensure that states are provided with adequate funding to perform the required SAA function. (See, 79 FR 47373, August 13, 2014).

HUD agreed that it should establish a more equitable distribution of funds among SAAs and, in 2015, solicited comments from both its partner SAAs and the MHCC on how to more equitably distribute fees among the states. The MHCC recommended a formula of \$9.00 per transportable section located in a state, and \$14.00 per transportable section manufactured in a state. Under this formula, whether a state was fully or conditionally approved would cease to affect funding. Additionally, the formula provided that the amounts states would receive would not decrease below that received during Fiscal Year (FY) 2014.

On December 16, 2016, HUD issued a proposed rule (81 FR 91083) to adopt the proposal as recommended by MHCC. HUD proposed to amend § 3282.307(b) to increase the amount paid to both fully approved and conditionally approved states for each transportable section of new manufactured housing produced in that state from \$2.50 to \$14.00, in order to more appropriately reflect the responsibility of these states and to encourage states to participate in the

Federal-State program to the maximum extent possible. HUD also proposed revising § 3284.10 to ensure participating states (regardless of approval status before December 27, 2000) would receive a funding level no less than the cumulative amount that state received in FY 2014. These proposed funding levels would also meet or exceed the allocated amounts paid to fully approved states based on the fee distribution system in effect on December 27, 2000, in accordance with 620(e)(3) of the Act. HUD noted in the proposed rule that these proposed changes would be more equitable for the participating states. HUD also noted its belief that the changes would simplify administrative burdens of HUD and the states, as payments would continue to be made to all participating states, regardless of whether they are fully or conditionally approved, using the methodology of § 3282.307, under which HUD and the states have been operating for years. As a result, the proposed rule noted that the revised approach would not require any new payment or accounting structures and states should be able to seamlessly implement the statutory requirement. Additionally, HUD noted that this new method of determining state payments would also largely eliminate the need for a year-end supplemental payment to states, as most states would meet or exceed their FY 14 manufacturing and location levels.

The proposed rule specifically invited comment on the following three questions:

1. In determining a revised equitable fee distribution formula, what methods and data should HUD consider to increase the amounts paid to the states? For example, should HUD rely on the past three years or more of fee income data received by both fully approved and conditionally approved states in assessing the amount of the increase of the payment to each SAA?
2. Should fully approved states be entitled to higher levels of payments than conditionally approved SAAs? In addition to the number of home placements and production levels in each

state, should the increase in payment consider the number of complaints handled by each SAA for the past three years in determining the amount of the increase (HUD would need each SAA to provide a list of all complaints handled over the past three years)?

3. Should HUD revise 24 CFR 3282.307(b) to allow the amount of the distribution of fees among the states to be established by Notice in order to more timely address changes or fluctuations in production levels, in order to assure that the states are adequately funded for the inspections and work they perform?

II. Public Comments and Response

The public comment period for the proposed rule closed on February 14, 2016. HUD received three public comments in response to this proposed rule. One comment did not address the proposed rule and stated that people should be able to live in what they want. The other two comments were responsive to the rule and were submitted by national trade associations that represent the manufactured housing industry. The responsive comments supported the proposed rule and stressed the importance of state participation in the Manufactured Housing Program. One commenter said that SAAs are state entities that are accountable to the public. This commenter said that SAAs should receive increased funding while program monitoring contractors who needlessly increase regulatory compliance costs should receive less. The responsive comments approved of the proposal to pay SAAs \$9.00 for each transportable section of a new manufactured home located in the state, and \$14.00 for each transportable section of a new manufactured home produced in the state. The responsive comments also approved of the proposal to pay states a minimum of the amount they received in FY 2014, regardless of whether the state had been fully or conditionally approved. Additionally, the responsive commenters provided answers to the three questions that HUD had posed in the proposed rule.

In response to the first question of what methods HUD should consider to increase the amounts paid to states, one commenter said that it does not object to distribution increases based on an aggregate of cumulative in-state production and shipment data reflecting a reasonable time-defined period, as long as the minimum annual distribution level to any state, regardless of approval status, does not fall below the minimum level mandated by the 2000 law. The other responsive commenter said that the primary data that should be used to determine a revised fee distribution formula is the actual shipment and production in each of the SAA states, and that HUD should consider overall performance of the SAAs both individually and collectively.

In response to the second question of whether fully approved states should be entitled to higher levels of payments than conditionally approved SAAs, and whether increases in payments should consider the number of complaints handled by each SAA for the past three years, both of the substantive commenters said that conditionally and fully approved states should receive the same level of funding. One commenter responded to the question of whether increases in payments should consider the number of complaints handled by each SAA by saying it does not believe this would be necessary or feasible, as it would require SAAs to undertake additional recordkeeping, and would eliminate the level playing field needed to ensure that all states can meet their responsibilities under the Act.

In response to the third question of whether HUD should revise 24 CFR 3282.307(b) to allow the amount of the distribution fees to be established by Notice, both of the responsive commenters said that there is a statutory requirement for HUD to go through rulemaking before changing payments to SAAs. One of the commenters said that because section 620(d) of the Act says that any fee collected under the section may only be modified pursuant to rulemaking, and subsection (a)(1)(B) of section 620 addresses funding to states using the fees collected, any

utilization of those fees for payments to states is also subject to the requirement that modifications can only be done through rulemaking. The other commenter said that HUD should obtain public input when making revisions to the funding formula.

In response to these comments, HUD notes that it appreciates these responses and will consider them for future changes to the fee distribution formula. HUD understands commenters' concerns that HUD should seek input from interested parties before making changes to the distribution formula. HUD posed the question about whether HUD should consider making future changes to § 3282.307(b) by notice with the thought that this might facilitate HUD's ability to respond more quickly in the future to requests from the states for more adequate funding.

As requested by the commenters, this final rule maintains HUD's proposed changes in its December 16, 2016, proposed rule, with some minor edits for clarity. In the proposed rule, § 3282.307(b)(1) said that states will receive \$9.00 for each transportable section of each new manufactured housing unit that, after leaving the manufacturing plant in another state, is first located in that state. This final rule says that states will receive \$9.00 for each transportable section of each new manufactured housing unit that, after leaving the manufacturing plant, is first located in that state. This clarifies that the states where manufactured housing units are first located will receive the \$9.00 whether the transportable section was manufactured in another state, or in the same state where it is first located. Thus, if a transportable section of a manufactured housing unit is produced in a state and first located in that same state, that state would receive \$23.00 for that transportable section, the combination of the amounts in § 3282.307(b)(1) and (b)(2).

This final rule also revises § 3284.10 to clarify that the minimum payment to each state will be no less than that due to that state for production and shipments for the period between October 1, 2013 to September 30, 2014, rather than the minimum payment simply being the amount the state received during this time period. The change was needed because states typically receive payments after September 30th, up to December, for shipments and production that occurred during the FY 14 period.

Additionally, this final rule revises the wording of § 3284.10(a) for readability. The proposed rule said that states would receive \$9.00, if after leaving the manufacturing plant, for every transportable section that is first located on the premises of a retailer, distributor, or purchaser in that state after leaving the manufacturing plant (or \$0, if it is not) during the year for which payment is received. This final rule says that states will receive \$9.00 for every transportable section that is first located on the premises of a retailer, distributor, or purchaser in that state after leaving the manufacturing plant (or \$0, if it is not) during the year for which payment is received.

Finally, HUD is adding at this final rule stage language to §§ 3282.307(b) and 3284.10 that states that HUD shall distribute the monitoring fee under § 3282.307 and pay the minimum payment to states under § 3284.10 “subject to the availability of appropriations.” HUD is adding this language to clarify that should its annual appropriation fail to provide sufficient funds to pay the states at the formula levels established by this rule, section 620(e)(2) of the Act limits HUD to distribute fees “only to the extent approved in advance in an annual appropriations Act.” Consequently, the language added to §§ 3282.307(b) and 3284.10 codifies existing statutory authority.

III. Findings and Certifications

Executive Order 12866 and Executive Order 13563

Under Executive Order 12866 (Regulatory Planning and Review), a determination must be made whether a regulatory action is significant and, therefore, subject to review by the Office of Management and Budget (OMB) in accordance with the requirements of the order. Executive Order 13563 (Improving Regulations and Regulatory Review) directs executive agencies to analyze regulations that are “outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned.

Executive Order 13563 also directs that, where relevant, feasible, and consistent with regulatory objectives, and to the extent permitted by law, agencies are to identify and consider regulatory approaches that reduce burdens and maintain flexibility and freedom of choice for the public.

This rule was determined to not be a significant regulatory action under section 3(f) of Executive Order 12866, Regulatory Planning and Review, and therefore was not reviewed by OMB.

Executive Order 13771

Executive Order 13771, entitled Reducing Regulation and Controlling Regulatory Costs, was issued on January 30, 2017. Section 2(a) of Executive Order 13771 requires an agency, unless prohibited by law, to identify at least two existing regulations to be repealed when the agency publicly proposes for notice and comment or otherwise promulgates a new regulation. In furtherance of this requirement, section 2(c) of Executive Order 13771 requires that the new incremental costs associated with new regulations shall, to the extent permitted by law, be offset by the elimination of existing costs associated with at least two prior regulations. OMB's interim guidance issued on February 2, 2017, explains that for Fiscal Year 2017 the above requirements only apply to each new “significant regulatory action that imposes costs.” It has been

determined that this rule is not a “significant regulatory action that imposes costs” and thus does not trigger the above requirements of Executive Order 13771.

Impact on Small Entities

The Regulatory Flexibility Act (RFA) (5 U.S.C. 601 et seq.) generally requires an agency to conduct a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. This rule will affect only states that participate in the manufactured housing program, and will have a negligible economic impact.

Unfunded Mandates Reform Act

Title II of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1531–1538)(UMRA) establishes requirements for federal agencies to assess the effects of their regulatory actions on state, local, and tribal governments and the private sector. This rule does not impose any federal mandates on any state, local, or tribal governments or the private sector within the meaning of the UMRA.

Environmental Impact

This rule establishes rates and sets forth related fiscal requirements which do not constitute a development decision that affects the physical condition of specific project areas or building sites. Accordingly, under 24 CFR 50.19(c)(6), this rule is categorically excluded from the requirements of the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

Federalism Impact

Executive Order 13132 (entitled “Federalism”) prohibits an agency from publishing any rule that has federalism implications if the rule either (1) imposes substantial direct compliance costs on state and local governments and is not required by statute, or (2) the rule preempts state

law, unless the agency meets the consultation and funding requirements of section 6 of the Executive Order. This rule does not have federalism implications and does not impose substantial direct compliance costs on state and local governments or preempt state law within the meaning of the Executive Order.

List of Subjects

24 CFR Part 3282

Manufactured home procedural and enforcement regulations, Administrative practice and procedure, Consumer protection, Intergovernmental relations, Investigations, Manufactured homes, Reporting and recordkeeping requirements.

24 CFR Part 3284

Consumer protection, Intergovernmental relations, Manufactured homes.

Accordingly, for the reasons discussed in this preamble, HUD amends 24 CFR parts 3282 and 3284 as follows:

PART 3282—MANUFACTURED HOME PROCEDURAL AND ENFORCEMENT REGULATIONS

1. The authority citation for part 3282 continues to read as follows:

Authority: 15 U.S.C. 2697, 42 U.S.C. 3535(d), 5403, and 5424.

2. Revise § 3282.307(b) to read as follows:

§ 3282.307 Monitoring inspection fee establishment and distribution.

* * * * *

(b) The monitoring inspection fee shall be paid by the manufacturer to the Secretary or to the Secretary's Agent, who shall distribute a portion of the fees collected from all manufactured home manufacturers among the approved and conditionally-approved States in accordance with

an agreement between the Secretary and the States and based upon the following formula subject to the availability of appropriations:

(1) \$9.00 of the monitoring inspection fee collected for each transportable section of each new manufactured housing unit that is first located on the premises of a retailer, distributor, or purchaser in that State; plus

(2) \$14.00 of the monitoring inspection fee collected for each transportable section of each new manufactured housing unit produced in a manufacturing plant in that State.

* * * * *

PART 3284—MANUFACTURED HOUSING PROGRAM FEE

3. The authority citation for 24 CFR Part 3284 continues to read as follows:

Authority: 42 U.S.C. 3535(d), 5419, and 5424.

4. Revise § 3284.10 to read as follows:

§ 3284.10 Minimum payments to states.

For every State that has a State plan fully or conditionally approved pursuant to § 3282.302 of this chapter, and subject to the availability of appropriations, HUD will pay such State annually a total amount that is the greater of either the amount of cumulative payments resulting from production and shipments due to that State for the period between October 1, 2013, and September 30, 2014; or the total amount determined by adding:

(a) \$9.00 for every transportable section that is first located on the premises of a retailer, distributor, or purchaser in that State after leaving the manufacturing plant (or \$0, if it is not) during the year for which payment is received; and

(b) 14.00 for every transportable section that is produced in a manufacturing plant in that State (or \$0, if it is not) during the year for which payment is received.

Dana T. Wade,
Assistant Secretary for Housing,
Federal Housing Commissioner.

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